

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2005-4-G - ORDER NO. 2005-410  
AUGUST 15, 2005

|  |   |                 |
|--|---|-----------------|
| IN RE: Piedmont Natural Gas Company – Annual | ) | ORDER APPROVING |
| Review of the Purchased Gas Adjustment and   | ) | AND ADOPTING    |
| Gas Purchasing Policies                      | ) | SETTLEMENT      |
|  | ) | AGREEMENT       |

The above-captioned matter is before the Public Service Commission of South Carolina (“Commission”) on the Joint Motion Requesting Approval of Settlement Agreement (“Joint Motion”) filed by the Office of Regulatory Staff of South Carolina (“ORS”), South Carolina Energy Users Committee (“SCEUC”), and Piedmont Natural Gas Company, Inc. (“PNG”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

The Commission conducted a formal hearing in this matter on July 20, 2005, beginning at 10:30 a.m. in the hearing room of the Commission with the Honorable Randy Mitchell, Chairman, presiding. Benjamin P. Mustian, Esquire appeared on behalf of ORS. Scott Elliot, Esquire appeared on behalf of SCEUC. James H. Jeffries, IV, Esquire and Kerry B. McTigue, Esquire appeared on behalf of PNG.

At the hearing, upon motion of Mr. Mustian of ORS, the Commission accepted into the record the pre-filed direct testimony and exhibits of PNG witnesses Keith P. Maust and Ann H. Boggs, the pre-filed rebuttal testimony of PNG witness Ann H. Boggs,

and the pre-filed direct testimony and exhibits of ORS witnesses Roy H. Barnette and Carey Flynt all of which were collectively designated as Hearing Exhibit No. 1. The Commission also accepted into the record the Settlement Agreement, which was designated as Hearing Exhibit No. 2.

All counsel present at the hearing acknowledged their respective clients' consent to the terms of the Settlement Agreement. Further, the Parties represented that they "have each determined that their interest and the public interest would be best served by settling the above captioned case . . . ."[See Hearing Exhibit No. 2 at p. 2]. Moreover, ORS presented witness Carey Flynt who explained the terms of the Settlement Agreement and testified that the Settlement Agreement was in the public interest. A copy of the Settlement Agreement is attached hereto as Order Exhibit No. 1 and is hereby incorporated into and made part of this Order.

In addition to testifying that the Settlement Agreement was in the public interest, Ms. Flynt also summarized her pre-filed direct testimony and the findings of ORS. More specifically, she testified that ORS conducted an extensive audit of PNG's gas costs for the period April 1, 2004, through March 31, 2005 ("Review Period"). ORS concluded that, with the adoption of the accounting adjustments proposed by Office of Regulatory Staff Witness Roy H. Barnette, (i) PNG's gas purchasing policies and practices were reasonable and prudent, (ii) that the Company had properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the review period, and (iii) PNG managed its hedging program during the review period in a reasonable and prudent manner consistent with Commission orders.

Ms. Flynt testified further that the Parties agreed to adopt the following accounting adjustments set forth in the testimony of Roy H. Barnette for PNG's deferred cost of gas account #253.04 so as to adjust the account balance shown in PNG witness Ann H. Boggs's testimony from an under-collection of (\$8,429,722) to the adjusted balance shown in ORS witness Roy H. Barnette's testimony of an under-collection of (\$8,331,349):

- a) an addition to PNG's under-collection of (\$4,814) to correct the therm sales used in the February 2004 calculation;
- b) a decrease to PNG's under-collection based on two interest adjustments derived from the Commission's Order No. 2005-43 issued in Docket No. 2004-4-G consisting of \$70,853 and \$7,540;
- c) a decrease to PNG's under-collection to record a proration adjustment of \$4,150 to reflect the proper sales Allocation Factor for the month of November 2003; and
- d) a decrease to PNG's under-collection to record an interest adjustment of \$20,644 based on the above-listed changes to Account #253.04.

No other witnesses testified at the hearing. Further, the Commission is satisfied with the answers given by Ms. Flynt in response to questions presented to her at the hearing by the Commissioners and therefore, concludes that it is not necessary for any other witnesses to provide additional testimony in this proceeding.

After careful review and consideration of the Joint Motion and Settlement Agreement, the evidence of record, and the representations of counsel, the Commission

concludes as a matter of law that approval of the Settlement Agreement is in the public interest and that, with the adoption of the accounting adjustments proposed by Office of Regulatory Staff witness Roy H. Barnette, (i) PNG's gas purchasing policies and practices during the review period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the review period, and (iii) PNG managed its hedging program during the review period in a reasonable and prudent manner consistent with Commission Orders.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Settlement Agreement attached hereto as Order Exhibit No. 1 is accepted into the record without objection and is incorporated into and made part of this Order by reference. Further the Settlement Agreement is found to be in the public interest and constitutes a reasonable resolution of this proceeding.

2. The pre-filed direct testimony and exhibits of PNG witnesses Keith P. Maust and Ann H. Boggs and the pre-filed rebuttal testimony of PNG witness Ann H. Boggs are accepted into the record without objection.

3. The pre-filed direct testimony and exhibits of ORS witnesses Roy H. Barnette and Carey Flynt are accepted into the record without objection. Further, the oral testimony of Ms. Flynt presented at the hearing on July 20, 2005, is also incorporated into the record without objection.

4. PNG's gas purchasing policies and practices during the review period were reasonable and prudent.

5. PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the review period.

6. PNG managed its hedging program during the review period in a reasonable and prudent manner consistent with Commission Orders.

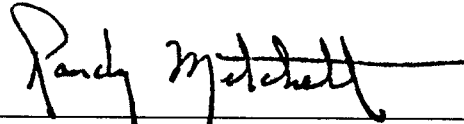
7. The accounting adjustments proposed by ORS witness Roy H. Barnette are adopted as follows:

PNG's deferred cost of gas account #253.04 is adjusted from an under-collection of (\$8,429,722) to the adjusted balance of an under-collection of (\$8,331,349):

- a) an addition to PNG's under-collection of (\$4,814) to correct the therm sales used in the February 2004 calculation;
- b) a decrease to PNG's under-collection based on two interest adjustments derived from the Commission's Order No. 2005-43 issued in Docket No. 2004-4-G consisting of \$70,853 and \$7,540;
- c) a decrease to PNG's under-collection to record a proration adjustment of \$4,150 to reflect the proper sales Allocation Factor for the month of November 2003; and
- d) a decrease to PNG's under-collection to record an interest adjustment of \$20,644 based on the above-listed changes to Account #253.04.

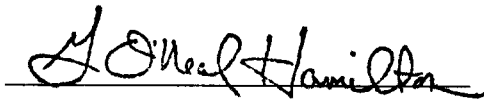
8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

A handwritten signature in black ink, appearing to read "Randy Mitchell", written over a horizontal line.

Randy Mitchell, Chairman

ATTEST:

A handwritten signature in black ink, appearing to read "G. O'Neal Hamilton", written over a horizontal line.

G. O'Neal Hamilton, Vice Chairman

(SEAL)

## BEFORE

## THE PUBLIC SERVICE COMMISSION OF

## SOUTH CAROLINA

## DOCKET NO. 2005-4-G

## IN RE:

|                              |   |                      |
|------------------------------|---|----------------------|
| Piedmont Natural Gas         | ) |                      |
| Company's Annual Review of   | ) | SETTLEMENT AGREEMENT |
| Purchased Gas Adjustment and | ) |                      |
| Gas Purchasing Policies      | ) |                      |

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee ("SCEUC"), and Piedmont Natural Gas Company, Inc. ("PNG") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, by South Carolina Public Service Commission ("Commission") Order No. 88-294, dated April 6, 1988, the Commission instituted an annual review of PNG's Purchased Gas Adjustment and Gas Purchasing Policies. Additionally, in Order No. 2002-223, dated March 26, 2002 in Docket No. 2001-410-G, the Commission required PNG to file regular reports on the status of the hedging program and the results of its hedging activities. In the above-captioned proceeding the review period is April 2004 through March 2005 ("Review Period");

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions, most recently on July 11, 2005, to determine if a settlement of this proceeding would be in their best interest;

WHEREAS, following those discussions the Parties have each determined that their interest and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of PNG witnesses Keith P. Maust and Ann H. Boggs and the pre-filed rebuttal testimony of PNG witness Ann H. Boggs, without objection, change, amendment, or cross-examination.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of ORS witnesses Roy H. Barnette and Carey Flynt, without objection, change, amendment, or cross-examination.

3. The Parties further agree that with the stipulated testimony of record and with the adoption of the accounting adjustments proposed by Roy H. Barnette described herein, the hearing record then before the Commission will conclusively demonstrate the following: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent, (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, and (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders.

4. The Parties agree to adopt the following accounting adjustments set forth in the testimony of Roy H. Barnette for PNG's deferred cost gas account #253.04 so as to adjust the account balance shown in PNG witness Ann H. Boggs's testimony from an under-collection of (\$8,429,722) to the adjusted balance shown in ORS witness Roy H. Barnette's testimony of an under-collection of (\$8,331,349):



- a) an addition to PNG's under-collection of (\$4,814) to correct the therm sales used in the February 2004 calculation;
- b) a decrease to PNG's under-collection based on two interest adjustments derived from the Commission's Order No. 2005-43 issued in Docket No. 2004-4-G consisting of \$70,853 and \$7,540;
- c) a decrease to PNG's under-collection to record a proration adjustment of \$4,150 to reflect the proper sales Allocation Factor for the month of November 2003; and
- d) a decrease to PNG's under-collection to record an interest adjustment of \$20,644 based on the above-listed changes to Account #253.04.

5. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

6. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

7. This agreement shall be interpreted according to South Carolina law.

8. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the

execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

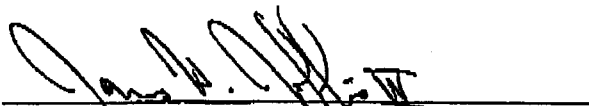
Representing and binding the Office of Regulatory Staff



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Benjamin P. Mustian, Esquire  
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WE AGREE:


Representing and binding Piedmont Natural Gas Company, Inc.



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SCEUC has not independently reviewed (i) PNG's gas purchasing policies and practices, (ii) whether PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period and (iii) whether PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders. SCEUC's review of these matters is limited only to (i) PNG's responses to ORS's Information Data Requests, and (ii) the pre-filed direct testimony of PNG's and ORS's witnesses. Although SCEUC has not conducted an independent investigation into the prudence of PNG's gas purchasing policies and practices, SCEUC is aware that ORS has conducted such an investigation, and by executing this Settlement Agreement, SCEUC hereby supports the positions and conclusions of ORS as set forth in the pre-filed direct testimony of ORS witnesses Roy H. Barnette and Carey Flynt.

Representing and binding South Carolina Energy Users Committee

  
\_\_\_\_\_  
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